

Update on BEA Activities

J. Steven Landefeld
Director

*BEA Advisory Committee Meeting
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Measuring the Nation's Economy.



Annual NIPA Revision

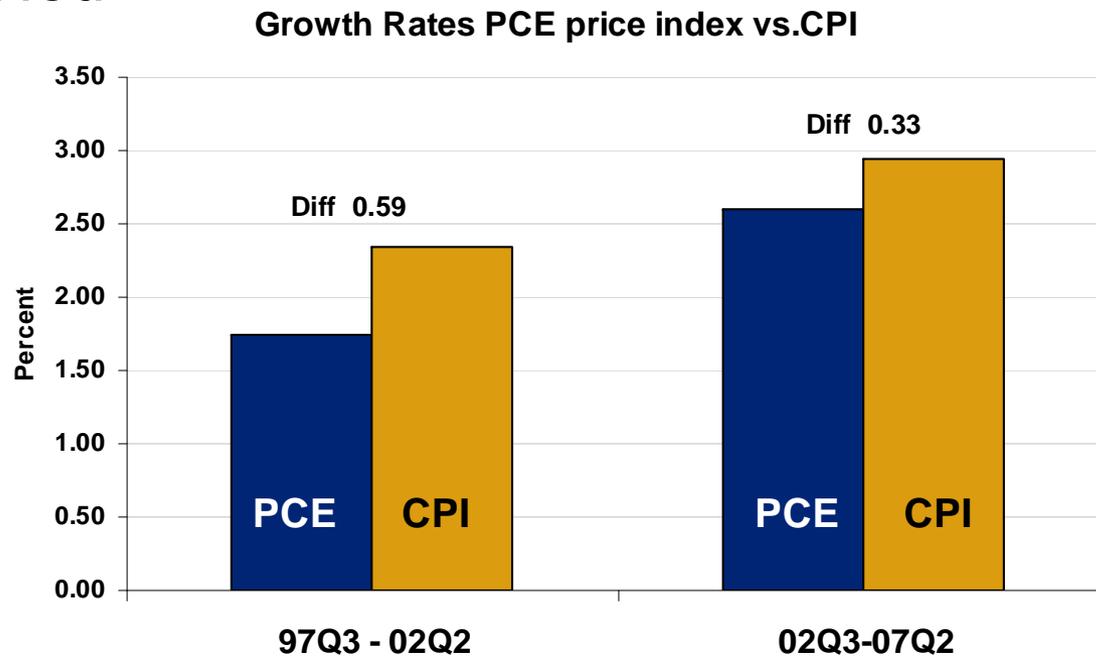
- GDP Revisions
 - Annual Revision 2007: Lower growth - 3.0 to 2.7 percent, 2003:IV - 2007:I
 - Mean absolute revision 0.27 percentage point

	Mean Growth Rates for period					
	<u>March 03</u>	<u>March 04</u>	<u>March 05</u>	<u>March 06</u>	<u>March 07</u>	<u>July 07</u>
1995-2002	3.11	3.14	3.10	3.25	3.25	3.25
1995-2003		3.27	3.25	3.16	3.16	3.16
1995-2004			3.30	3.21	3.21	3.21
1995-2005				3.22	3.20	3.20
1995-2006					3.25	3.17

- Little change in inflation - 3.2 to 3.3 percent, 2003:IV - 2007:I

PCE price index /CPI

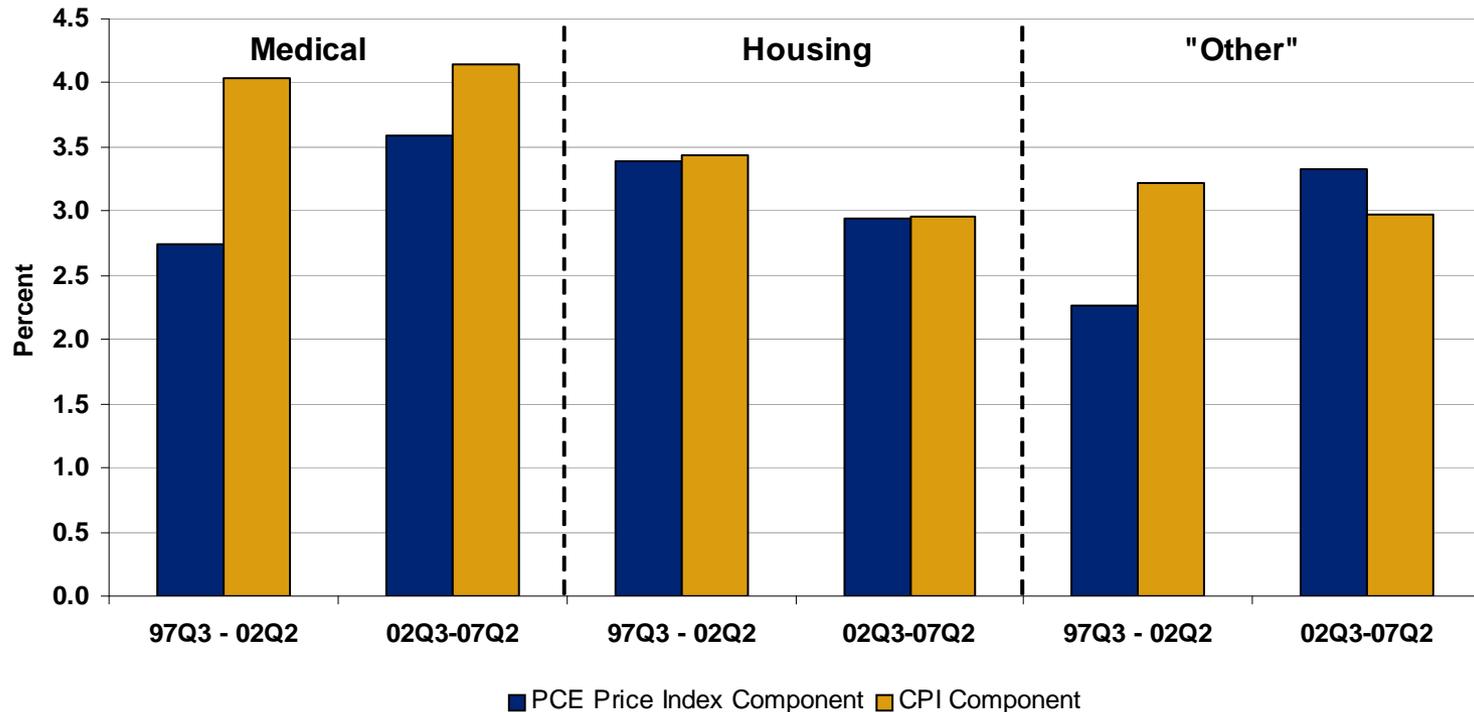
- Fundamental differences in PCE price index & CPI lead to comparisons of differentials
 - PCE / CPI differential shrinking in most recent time period



Source: BEA/BLS

PCE price index /CPI

- Accounted for by medical, housing, and other services components



- Weighting, scope and formula differences make analysis on component contributions complex
 - BEA/BLS reconciliation article now available on BEA web site

Current Issues

- *BusinessWeek* and Offshoring:
 - Real imports understated and real GDP and productivity overstated
 - Import price indexes do not capture lower price level of imported goods
 - Similar to old and difficult “new” goods problem in price measurement.
 - Not clear how to “fix”
 - Probably offset as domestic production shifts to lower cost domestic suppliers and/or new goods and services with a lower quality-adjusted price
 - Likely to hear more: Sloan/NAPA and Congress

National Accounts

- NIPA annual revision, methodological improvements including:
 - Improved price index- Deflation of business purchases of light trucks (Source of part of BEA-FRB differences for Motor vehicles, 2006)
 - New BLS price indexes- Nonresidential construction—deflators for office buildings and for schools
 - Developed improved seasonal factors for new Census quarterly services survey QSS data

National Accounts

- Looking ahead:
 - Continued work on implementing flexible annual revisions with regular annual July releases
 - Incorporation of revision to SNA, international guidelines
 - Research:
 - Satellite accounts for health
 - Data gaps and accounting issues- employee stock options, bonuses, compensation, and profits

International Accounts

- Annual Revisions, improved methodologies and source data including
 - New financial derivatives data
 - New source data and method for interest receipts and payments on long term securities
- Launched integrated services survey and other improvements recommended by NAS/NAPA on issues of offshoring

International Accounts

- Looking Ahead:
 - Develop state-level estimates of exports and imports of selected businesses (professional & technical)
 - Continue phased incorporation of data from new integrated surveys
 - Begin conducting new 2007 benchmark survey of FDI in U.S.
 - Continue implementation of NAS/NAPA recommendations on issues of offshoring

Industry Accounts

- 2002 Benchmark I-O Account-uses new balancing method
- Next steps in BEA/BLS integration- BLS use of BEA KLEMS
- Improvements to Travel and Tourism and Transportation Satellite accounts, including coverage of vacation homes, gasoline consumption
- Provision of KLEMS decomposition of annual tables, 1998-2005

Industry Accounts

- Looking ahead:
 - Develop consistent NAICS time series for industry R&D performance and funding prior to 1987
 - Release GDP by Industry for 2006 and revised 2004-2005.
 - Release 2002 Capital Flow table
 - Work on consistent time series of historical benchmark use tables to reflect changes introduced in 2003 NIPA comprehensive revision
 - Database re-engineering as part of research to prepare constant-price I-O tables

Regional Accounts

- New Associate Director - Joel Platt
- GDP by metropolitan area by NAICS sector (September 2007)
- 2006 GDP by state estimates released four months earlier
 - 2006 personal income for metro areas estimates-one month earlier
- Follow-on experimental methodology for estimating state price levels for 2000

Regional Accounts

- Looking ahead:
 - Develop prototype estimates of pension and retirement distributions and income available to households
 - Develop disposable personal income for metro areas
 - Begin development of experimental estimates of state and metro area personal income and GDP adjusted for price level differences
 - Investigate acceleration of state personal income

Chief Statistician

- Health Accounting
 - March 2007 CNSTAT workshop with support from BEA
- Data Sharing
 - Census/BEA/Internal Revenue Service
 - BLS/BEA

Chief Information Officer

- New CIO: Brian Callahan
- Departmental selection of RIMS II as E-Gov success story
- Interactive mapping web application for state and local area personal income
- Good progress on all aspects of IT security and continuity
- Looking ahead:
 - International survey processing modernization
 - Implementation of high performance national accounts STATS engine

Customers

- Expanded outreach to users
 - 2nd NEA user conference in NYC
 - Industry Accounts user conference
 - Continued expansion of technical assistance, professional presentations, and other outreach
 - Reached an estimated 25,000 customers in FY 2007
- Data and Information Dissemination:
 - New NIPA methodologies
 - Working/background papers - www.bea.gov
 - Prototype and experiments measures
 - R&D
 - PCE/CPI reconciliation